

May 17, 2012

Attorney General J.B. Van Hollen
Wisconsin Department of Justice
114 East State Capitol
Madison, WI 53702-7857

Dear Attorney General Van Hollen:

We are writing on behalf of Common Cause in Wisconsin and the Center for Media and Democracy to ask you to investigate the activities of the American Legislative Exchange Council (ALEC) in Wisconsin to ensure that the organization is in compliance with state tax and lobbying laws.

Founded in 1973, ALEC is an organization of nearly 2,000 state legislators, including 49 members of the Wisconsin legislature, and hundreds of corporations. ALEC is registered in Wisconsin as a charitable organization and at the federal level enjoys tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

Common Cause in Wisconsin and the Center for Media and Democracy have discovered compelling evidence that ALEC is a corporate lobby masquerading as a charity. ALEC's compliance with state tax and solicitation laws should be reviewed by your office and/or appropriate state regulatory authorities.

ALEC's primary purpose appears to be providing a vehicle for its corporate members to lobby state legislators and to deduct the cost of that activity as charitable contributions. Each year, about 1,000 pieces of ALEC-backed legislation are introduced in statehouses across America – in the 2011-2012 legislative session, 32 bills or budget provisions reflecting 41 pieces of ALEC model legislation were introduced in Wisconsin. ALEC regularly communicates with legislators through emails, "issue alerts," press releases, "talking points" and other materials to express its views on bills and help ALEC-member legislators argue on behalf of ALEC's legislation and/or in opposition to bills outside ALEC's portfolio. ALEC's public bylaws declare that its mission is to "formulate legislative action programs" and to "disseminate model legislation and promote the introduction of companion bills in Congress and state legislatures." ALEC also carefully tracks the progress of its legislation and other legislation in statehouses across America, producing scorecards to measure its effectiveness in getting its bills enacted.

While these activities meet any reasonable definition of lobbying, ALEC insists that it does not lobby, and it reports to the IRS that it is engaged in "0" lobbying.

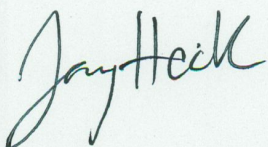
Moreover, ALEC provides a vehicle for its corporate members to buy influence with legislators through gifts of flights, hotel rooms, and other perks denominated as "ALEC scholarships," which raise serious questions about its compliance with Wisconsin's ethics and lobbying laws. These so-called "scholarships" subsidize Wisconsin legislators' costs for accommodations, transportation and other expenses to attend ALEC national conferences, often held at luxury resorts. Information obtained through open records requests shows donations to the Wisconsin scholarship fund from more than a dozen corporations that employ lobbyists in the state, for the purpose of funding legislators' flights and hotel stays. In addition, according to the tax filings of the pharmaceutical lobbying group PhRMA, in 2010 that trade group sent \$365,075 to the address of the ALEC corporate co-chair in Wisconsin to pay for these "scholarships" (but which they subsequently claimed was for use in other states). Legislators' families are also invited to ALEC events. The Center for Media and Democracy has asked Wisconsin's Government Accountability Board to determine whether these corporate-funded "scholarships" violate ethics laws and submitted supplemental information in support of its claim.

In a complaint submitted April 21 to the Internal Revenue Service's Tax Whistleblower Office, Common Cause seeks an investigation of ALEC's lobbying activity, the collection of unpaid taxes, and the assessment of appropriate penalties. In support of this submission, Common Cause has provided the IRS with more than 4,000 pages of ALEC materials documenting the organization's lobbying.

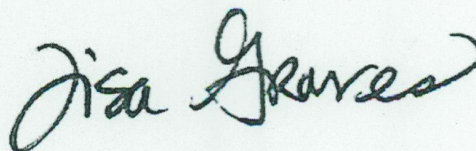
As Attorney General, you are charged with responsibility for ensuring that Wisconsin laws are properly applied and enforced. In view of the overwhelming evidence that ALEC is engaged in lobbying, we urge you to review its compliance with all applicable state laws or to refer this matter to the appropriate state regulatory authorities for action.

Thank you for your attention to this matter.

Sincerely,



Jay Heck
Executive Director
Common Cause-Wisconsin



Lisa Graves
Executive Director
Center for Media and Democracy

Cc: Governor Scott Walker